CBA UK Branch Remuneration: Practices & Governance

Commonwealth Bank of Australia

December 2025

Public

The Financial Conduct Authority (FCA) Handbook and the Prudential Regulation Authority (PRA) Rulebook requires an institution to include a compliance statement, on the institution's website, setting out how it complies with the dual-regulated firms Remuneration Code.

Commonwealth Bank of Australia (CBA) London Branch is regulated by the FCA and PRA. This document outlines how CBA complies with the PRA and FCA requirements, which covers (1) remuneration governance and (2) remuneration policy and structure, as outlined below.

London Branch Remuneration Governance

The CBA Group People and Remuneration Committee (PRC) has established a UK Remuneration Assurance Committee (RAC) for the London Branch consisting of at least three independent members. The Group ensures that the RAC collectively has the adequate knowledge, skills, and experience with regards to remuneration policies and practices, including incentives and the risks that can arise from them and the mechanisms for aligning remuneration structures to the risk profile and capital structure of the Group.

The RAC is responsible for all remuneration matters for the London Branch and supports the Board in meeting its remuneration compliance obligations. The RAC oversees the London Branch's remuneration policy and practices so that they are:

- aligned with the London Branch's overall corporate governance framework and its business and risk strategy, objectives, culture, values and long-term interests;
- have regard to performance management frameworks and measures;
- are aligned with current UK governance, legal and regulatory requirements, including under the remuneration rules established by the PRA and FCA and applicable regulatory guidance;
- encourage behaviours which appropriately mitigate against operational, financial, non-financial, regulatory and reputational risks and do not promote excessive risk-taking; and
- take into account liquidity and capital levels (including ensuring that the policies support the maintenance of a sound capital base).

The key responsibilities of the RAC, as set out in its Terms of Reference, include:

- Defining and recommending to the PRC for approval the London Branch's remuneration principles, informed by emerging market practice and legislative and regulatory requirements in the UK within the parameters of the Group Remuneration Policy and the strategic objectives for the remuneration frameworks of the Group.
- Reviewing recommending to the PRC for approval the remuneration policy of the London Branch, as applied in the context of the Group Remuneration Policy.
- Assessing the effective implementation of the London Branch remuneration policy annually to monitor that these deliver on their intent and remain compliant with UK legislative and regulatory requirements.
- Overseeing the annual review of the implementation of the London Branch remuneration policies and procedures by Internal Audit and ensuring that any remedial actions are implemented.



- Approving, as part of the London Branch's remuneration policy, the MRT identification methodology, process and overseeing its implementation on an on-going basis.

- Approving remuneration arrangements and outcomes (including but not limited to salary increases, variable remuneration awards, in-year adjustments, new hire awards, termination or severance payments) of individuals who are:

    - MRT of the London Branch (which include members of the London Branch management body and senior control function staff); and
    - Individuals with significant variable remuneration[1].

Independent Control Function Involvement

The CEO UK, Head of Human Resources UK and Head of International Compliance and Regulatory Affairs may be invited to attend RAC meetings where specialist input is required in relation to remuneration, except when matters being considered relate to them.

The London Branch Regulatory Remuneration Forum (RRF) provides control function input into remuneration matters to the RAC. This forum has responsibility for ensuring that the remuneration policies and procedural documentation of the London Branch are up-to-date and compliant with UK and EU regulatory requirements as applicable, and subject to appropriate review on at least an annual basis, with the involvement of the London Branch Risk and Compliance functions.

The independent control function representatives provide input into the bonus pool risk adjustment framework and processes (including ex-post risk adjustment), performance criteria and remuneration outcomes where the functions have concerns regarding the impact of staff behaviour and the riskiness of the business undertaken. The risk management and compliance functions, as well as the RRF, are involved in the MRT identification process.

Remuneration Policy

The UK appendix to the Group Remuneration Policy (UK Policy) is aligned to regulatory requirements and the London Branch's long term objectives.

The UK Policy has been designed to ensure it is consistent with and promotes sound and effective risk management and does not encourage risk taking that exceeds the level of tolerated risk of London Branch. It has also been designed to be aligned with the Group's overall corporate governance framework, business strategy, corporate culture, risk appetite, values and long-term interests of London Branch.

The UK Policy includes measures to avoid any potential conflict of interests that may arise, including the following:

- The RAC is constituted in a way that avoids conflicts of interest and provides independent oversight of remuneration matters within the London Branch.

[1] Defined under the Group Remuneration Policy as an Executive General Manager, General Manager (or equivalent) or any employee within the London Branch whose annual variable remuneration per annum is equal to or greater than AUD 150,000.



- All variable remuneration arrangements are designed in a way that mitigates potential conflicts of interest by including a balance of objective performance measures, which include both quantitative and qualitative measures and take into account conduct and customer outcomes.

- No individual is permitted to be present when decisions are taken which concern their own remuneration.

- For employees in control functions, the UK Policy provides that they are independent from the business units they oversee, they have appropriate authority, they are remunerated adequately to attract qualified and experienced employees, and in accordance with the achievement of the objectives linked to their functions, independent of the performance of the business areas they control.

- RAC members are not eligible to receive variable remuneration.

The UK Policy states that any potential conflict of interest caused by the pay-out of instruments as part of an individual's variable or fixed remuneration (including in relation to the granting and vesting of equity awards) must be identified and managed. This includes the requirement that employees must comply with the Group Securities Trading Policy and any business unit-specific insider trading policies.

Remuneration Structure

The UK Policy and other supporting policies or framework documents are periodically reviewed, including against evolving regulatory requirements and amendments are made as appropriate.

In the UK Policy, there is a clear distinction between the criteria for setting fixed remuneration and variable remuneration. Fixed remuneration is set to ensure that it reflects the role undertaken as well as relevant skills and experience of the individual. Variable remuneration is dependent on performance and is assessed against both financial and non-financial criteria.

Fixed remuneration represents a sufficiently high proportion of the total remuneration to allow the operation of a fully flexible policy on variable remuneration, including the possibility to pay no variable remuneration.

Variable remuneration is designed to reflect sustainable and risk-adjusted performance against financial and strategic measures as well as behaviours towards risk and controls, with input from risk and compliance functions as required. Variable remuneration is only awarded if CBA London Branch has a strong and sound capital base, as the RAC is mindful that variable pay should not limit London Branch's ability to strengthen its capital base.

MRTs are individuals whose professional activities can have a material impact on the risk profile of London Branch, identified in accordance with the Financial Conduct Authority (FCA) Remuneration Code for dual-regulated firms (SYSC 19D), the Remuneration Part of the Prudential Regulation Authority (PRA) Rulebook, the regulatory guidance in PRA's Supervisory Statement on Remuneration (SS2 /17) and based on additional criteria as determined by the London Branch. The RAC undertakes a regular review of MRTs to ensure that all individuals whose professional activities have a material impact on the London Branch are captured. The business, control functions, Risk and Compliance and Human Resources all play a key role in the MRT identification process.

For individuals identified as an MRT, their remuneration is subject to a 2:1 maximum ratio of variable to fixed remuneration. Variable remuneration is set in a multi-year framework, and 40-60% of variable pay is subject to 4-7 years of deferral in line with regulatory requirements, dependent on the individual's MRT status.



At least 50% of variable remuneration for MRTs will be delivered in share-linked rights with a 12 month retention period after vesting (or 6 months where the overall deferral period is at least 5 years, except for members of the management body and senior management). For MRTs that meet the de minimis thresholds, their variable remuneration is still subject to malus and clawback provisions.

For MRTs who do not meet the de minimis thresholds, all variable remuneration will be subject to malus and clawback. All variable remuneration, including any deferred element, is paid or vests only if it is sustainable according to the financial situation of London Branch as a whole, and justified on the basis of the performance of London Branch, the business unit and the individual concerned.

A five-to-seven-year clawback period[1] applies to all variable remuneration awarded to MRTs. For Senior Managers, the London Branch has discretion to extend the clawback period to the tenth anniversary from the date of award of the variable remuneration in circumstances where there is an internal investigation for the employee, or respective team, or the London Branch or a Group entity has been notified by a regulatory authority that an investigation has commenced.

Employees are not permitted to use personal hedging strategies or to enter into remuneration-related or liability-related insurance contracts which may undermine the risk alignment effects embedded in their deferred and retained variable remuneration. MRTs are required to submit an annual declaration of compliance with the UK Policy prohibiting personal hedging strategies or remuneration or liability-related insurance contracts to the relevant Risk/Compliance function.

Pension benefits provided to employees form part of an overall competitive benefits package that is designed to attract and retain talented employees. Any pension payments made to employees will be in line with the UK Policy, and in particular the approach to pensions is in line with the London Branch's business and risk strategy, objectives, values and long-term interests. The London Branch does not pay any discretionary pension contributions to any employees. Any payments relating to the early termination of a contract reflect performance achieved over time and are designed in a way that does not reward failure or misconduct.

STVR determination

CBA London Branch Short Term Variable Remuneration (STVR) is based on a combination of factors with the evaluation of the performance assessments of: (a) the employee, (b) the relevant business unit, and (c) the overall results of the Group & London Branch.

The CBA London Branch bonus pool is determined based on financial and non-financial performance and risk-adjusted, based on a range of financial risk and non-financial risk metrics, covering both current and future risks. The London Branch will apply both ex-ante risk adjustment and ex-post risk adjustment at the pool level as appropriate for the relevant performance year, so that the adjusted pool reflects risks that have not yet crystallised and those that may have crystallised.

Employee performance is assessed in line with the performance management process. The extent of the employee's adherence to effective risk management and compliance with regulatory requirements and employee conduct are taken into account as part of this process. Under CBA's performance management approach, the employee receives three ratings relating to performance, values and risk. The individual's performance and values ratings are used to make an initial STVR determination, and then the risk rating is considered which can reduce their bonus (including to zero) if expected risk behaviours are either not met or only partially met.

Employees who display positive risk behaviours may receive an additional financial award and/or non-financial recognition.

[1] Note that, in addition, a minimum clawback of one year applies if the variable remuneration is not deferred.



Other forms of variable remuneration

The remuneration policies applied at the London Branch are compliant with the regulatory provisions in relation to guaranteed variable remuneration. Guaranteed variable remuneration is not part of prospective remuneration plans, and may only be awarded in exceptional circumstances when hiring new employees and is limited to the first year of employment. Any award may only be made where the London Branch has a sound and strong capital base.

Conditional Awards may be awarded in exceptional circumstances when hiring where there is clear business case for making the award and where the London Branch has a sound and strong capital base. Where these occur, they are limited to the employee's first year of employment.

The New Hire Policy for buyout awards is aligned with the long-term interests of the London Branch. Any New Hire awards are structured so that they are no more generous in terms or amount than the award forfeited by the new employee, and include appropriate retention, deferral and performance and clawback arrangements. The duration of the retention, deferral, performance and clawback periods are replicated to the terms of the forfeited award with the previous firm.

The UK Policy is compliant with the regulatory requirements in relation to retention awards. Retention awards will only be granted in cases where the RAC is satisfied that (a) any proposed Retention Award is a rare and infrequent occurrence, and (b) there is a legitimate interest in making such an award and that this legitimate interest can be substantiated. The UK Policy states that all retention awards must be appropriately aligned to ex-post risk adjustment prior to payment and may only be made to MRTs subject to the requirements on deferral, payment in instruments, retention period and malus and clawback.

